

Financial Statements

Team Red, White & Blue, Inc.

December 31, 2013

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

Members of the Board of Directors
Team Red, White & Blue, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Team Red, White & Blue, Inc. (the "Organization"), which are comprised of the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Team Red, White & Blue, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of an Error

As discussed in Note F to the financial statements, an error relating to the timing of recording a restricted grant was discovered during the current year. Accordingly, the beginning balance of temporarily restricted net assets has been restated in the accompanying financial statements to reflect this grant in the proper accounting period. Our opinion is not modified with respect to this matter.

Louisville, Kentucky
August 28, 2014

Statement of Financial Position

Team Red, White & Blue, Inc.

December 31, 2013

Assets

Cash and cash equivalents	\$	432,645
Investments		1,100
Grants receivable		70,000
Inventory		92,360
Deposit		3,000

Total Assets \$ 599,105

Liabilities and Net Assets

Liabilities

Accounts payable	\$	132,206
Other accrued expenses		100,228

Total Liabilities 232,434

Net Assets

Unrestricted		344,882
Temporarily restricted		21,789

Total Net Assets 366,671

Total Liabilities and Net Assets \$ 599,105

See Accompanying Notes to Financial Statements

Statement of Activities

Team Red, White & Blue, Inc.

Year Ended December 31, 2013

Unrestricted Net Assets

Support and Revenues

Contributions	\$ 1,366,467
Grants	125,217
Merchandise sales	264,026
Races and special events	184,666
In-kind contributions	88,803
Other income	2,356

2,031,535

Net Assets Released From Restrictions

128,211

Total Support and Revenues

2,159,746

Expenses

Program services	1,862,572
General and administrative	176,167
Fundraising	56,542

Total Expenses

2,095,281

Increase in Unrestricted Net Assets

64,465

Temporarily Restricted Net Assets

Contributions	50,000
Net assets released from restrictions	<u>(128,211)</u>

Decrease in Temporarily Restricted Net Assets

(78,211)

Decrease in Net Assets

(13,746)

Net Assets Beginning of Year, as previously reported

280,417

Prior period adjustment to properly record 2012 grant

100,000

Net Assets Beginning of Year, as restated

380,417

Net Assets End of Year

\$ 366,671

See Accompanying Notes to Financial Statements

Statement of Functional Expenses

Team Red, White & Blue, Inc.

Year Ended December 31, 2013

	Program Services	General and Administrative	Fundraising	Total
Payroll and related expenses	\$ 351,573	\$ 14,618	\$ 188	\$ 366,379
National events	139,479			139,479
Races and special events	194,722			194,722
Camps	260,870			260,870
WOD with Warriors	56,996			56,996
Outreach	93,245			93,245
Social events	64,190		41,346	105,536
Physical fitness expenses	63,031			63,031
Other chapter expenses	27,667			27,667
Travel and meetings	18,475	14,679	12,397	45,551
Veteran Ambassador Program	163,067			163,067
Athletic gear	91,783			91,783
Leadership meetings	47,394			47,394
Merchandise purchases	152,126			152,126
Merchandise shipping	56,527			56,527
Advertising	58,867	10,359		69,226
Bank fees		11,794		11,794
Professional fees		2,931		2,931
In-kind professional fees		45,000		45,000
Telephone and internet		4,105		4,105
Rent		6,234		6,234
Office expenses		13,888		13,888
Insurance		11,541		11,541
Contract services		30,650		30,650
Miscellaneous expenses	22,560	10,368	2,611	35,539
	<u>\$ 1,862,572</u>	<u>\$ 176,167</u>	<u>\$ 56,542</u>	<u>\$ 2,095,281</u>

See Accompanying Notes to Financial Statements

Statement of Cash Flows

Team Red, White & Blue, Inc.

Year Ended December 31, 2013

Operating Activities

Decrease in net assets	\$ (13,746)
Adjustments	
Donated stock	(1,100)
Changes in operating assets and liabilities	
Grants receivable	85,000
Inventory	(92,360)
Accounts payable	74,883
Other accrued expenses	<u>94,405</u>
Net Increase in Cash and Cash Equivalents Provided by Operating Activities	147,082
Cash and Cash Equivalents Beginning of Year	<u>285,563</u>
Cash and Cash Equivalents End of Year	<u>\$ 432,645</u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Team Red, White & Blue, Inc.

December 31, 2013

Note A--Nature of Activities

Team Red, White & Blue, Inc. (the "Organization") is a non-profit organization that enriches the lives of America's veterans by connecting them to their community through physical and social activity throughout the United States.

Note B--Summary of Significant Accounting Policies

Financial Statement Presentation--The Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Basis of Accounting--The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents--The Organization considers all highly liquid debt instruments purchased with maturities of less than ninety days to be cash equivalents.

Valuation of Investments--Investments in marketable securities with readily determinable fair values are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains are included in the statement of activities as unrestricted gains. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Contributions and Grants--The Organization recognizes contributions and grants when received and considers them to be available to use without restrictions unless the donor stipulates otherwise. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions and grants whose restrictions are met in the same reporting period as received are reported as unrestricted contributions and grants.

Revenue Recognition--Sales of merchandise consist of apparel and other items depicting the Organization's logo purchased through online retail. The Organization recognizes revenue related to merchandise sales at the time of shipment when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Merchandise is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred.

Grants Receivable--Management periodically reviews the collectability of all receivables, and any amounts determined to be uncollectible are charged off to bad debt expense. As of December 31, 2013, the grants receivable consisted of \$70,000 grant from the United Service Organizations which was collected in January 2014. Therefore, the grants receivable were considered to be fully collectible at December 31, 2013, and, accordingly, no allowance for uncollectible grants receivable has been recorded.

Continued

Notes to Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2013

Note B--Summary of Significant Accounting Policies--Continued

Inventory--Inventory is stated at the lower of cost or market and consists of apparel and related merchandise sold through the Organization's website.

Equipment and Furniture--Equipment and furniture, consisting of office furniture, computer equipment and software, are recorded at cost if purchased, or at fair value as of the date contributed. The Organization capitalizes purchases of equipment and furniture of greater than \$2,000. Depreciation is computed using the straight-line method over the estimated useful life of the related assets.

In-Kind Contributions--Contributions of merchandise and athletic gear are recorded at fair value and recognized as support and program service expenses in the accounting period when they are received. Contributions of legal services and rent are likewise recorded at fair value and recognized as general and administrative expenses.

Administrative operations are conducted in the residences of the Organization's Directors and Executive Officer's without cost. The Organization also receives free services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because these services do not meet the criteria for recording as support and expenses.

Allocation of Functional Expenses--The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various functions.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was \$69,226 during the year ended December 31, 2013.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities approximate their fair values due to their short maturity.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. The Organization had no unrelated business income during the period covered by this audit.

Continued

Notes to Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2013

Note B--Summary of Significant Accounting Policies--Continued

Generally accepted accounting principles prescribe a comprehensive model for how an entity should measure, recognize, present and disclose in its financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. The Organization determined that it had no uncertain tax positions as of December 31, 2013.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. The tax returns for the years ended December 31, 2010 through 2012 remain subject to examination by the Internal Revenue Service.

Management Review--In preparing these financial statements, the management of the Organization has evaluated events and transactions for potential recognition or disclosure through August 28, 2014, the date the financial statements were available to be issued.

Note C--Concentrations

The Organization maintains its cash and cash equivalents at two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At December 31, 2013, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$154,000.

Note D--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	<u>January 1, 2013</u>	<u>Contributions</u>	<u>Released from Restrictions</u>	<u>December 31, 2013</u>
Grants restricted for:				
12 Specific Chapters	\$ 100,000		\$ (100,000)	
Midwest Regional Chapter operations		\$ 50,000	(28,211)	\$ 21,789
	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ (128,211)</u>	<u>\$ 21,789</u>

The Organization has no permanently restricted net assets.

Notes to Financial Statements--Continued

Team Red, White & Blue, Inc.

December 31, 2013

Note E--Operating Lease Commitments

The Organization leases office space under non-cancellable operating lease agreements. The Organization is committed to future rent payments of \$1,500 as of December 31, 2013. Rent expense was \$6,234, which includes \$2,910 for the value of donated office space.

Beginning in March 2014, the Organization entered into a non-cancellable for office space in Tampa, Florida for a term of 67 months. The lease calls for minimum lease payments of between \$2,500 and \$2,814 plus their proportionate share of the utilities.

Note F--Prior Period Adjustment

The Organization's temporarily restricted net assets as of January 1, 2013 have been restated to reflect a restricted grant made by a private foundation which should have been recorded in 2012. This restatement resulted in an increase to temporarily restricted net assets of \$100,000. All of the donor restrictions were met in 2013 and, accordingly, the net assets were released from restrictions as of December 31, 2013.